GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2487
ANSWERED ON:15.03.2007
CITY GAS DISTRIBUTION PROJECTS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Union Government has any proposal to unveil a policy on setting up city gas distribution projects;

(b) if so, the details and salient features thereof; and

(c) the time by which the policy would be unveiled?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a) to (c): Government has notified the 'Policy for Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks' on December 20, 2006. The Policy has come into effect from its date of publication in the Gazette of India on December 22, 2006. Its main objectives are as follows:-

(a) to promote investment from public as well as private sector in natural gas pipelines and city or local natural gas distribution networks,

(b) to facilitate open access for all players to the pipeline network on a non-discriminatory basis,

(c) to promote competition among entities, thereby avoiding any abuse of the dominant position by any entity,

(d) to secure the consumer interest in terms of gas availability and reasonable tariff for natural gas pipelines and city or local natural gas distribution networks.

The salient features of the policy are as follows:-

1. All the natural gas and city or local distribution pipelines will be laid in accordance with the authorization granted by the Regulatory Board under a transparent mechanism. Dedicated pipelines, laid to supply gas to specific consumers, originating from regulated pipelines will not require the authorization.

2. Regulator shall develop a comprehensive set of technical and safety standards as well as a code for grid connectivity.

3. Progressive unbundling of common carrier transmission activity and gas marketing activity.

4. The designed pipeline capacity to be at least 33% percent more than the maximum capacity requirement of the proposer and those who tie up for capacity. Such capacity would be made available on an 'open access and non-discriminatory basis' at transportation rates laid down by the Board.

5. The Board may consider different exclusivity periods for setting up of City gas distribution networks and for marketing of gas by the entity developing such networks.

6. Authorization to the proposer may be cancelled with forfeiture of his security deposit, if the conditions of the authorization are not adhered to or the project is delayed beyond the stipulated milestone (s).

7. Once the project is commissioned, the bid bond would convert into a performance bond and would provide the guarantee for satisfactory compliance of the conditions stated in the authorization during the life of the project.

8. The transportation tariff for the transmission pipeline and city or local natural gas distribution network, as also the manner of determining such tariff, will be laid down by the Board.

9. The Government may prepare long term perspective plan for creating gas pipeline network in consultation with the Board, State Governments, Oil and Gas Industry, Gas consuming Industries and other stakeholders. The Plan will be kept in view while authorizing / approving new pipelines.

10. A Gas Advisory Board (GAB) shall be constituted by the Government to advise the Government on all matters relating to this policy. The advice of GAB shall not be binding on the Government.

11. To complement and supplement the domestic investment, FDI upto 100% is permitted in laying natural gas pipelines under the automatic approval route.

12. State Governments are required to ensure various statutory and other clearances on a fast track basis.

13. State Governments shall prepare their plans for developing the city or local gas distribution networks, prioritizing the cities or local areas.